

Decision Memo
for
ARK LAND COMPANY
SKYLINE MINE
2005 COAL EXPLORATION

EXPLORATION LICENSE
GRANGER RIDGE TRACT
CARBON COUNTY, UT
&
COAL EXPLORATION PLAN
FEDERAL COAL LEASE UTU-67939
WINTER QUARTERS AND WOODS CANYONS
CARBON COUNTY, UT

Isom
10/07/0005

USDA Forest Service, Intermountain Region
Manti-La Sal National Forest
Ferron-Price Ranger District
Carbon County, Utah

I. INTRODUCTION

The Manti-La Sal National Forest has evaluated a proposal submitted by Ark Land Company (a subsidiary of Arch Coal Inc.) on behalf of Canyon Fuel Company, LLC Skyline Mine, to conduct coal exploration and reclamation activities in the summer and fall of 2005. A total of 10 holes are proposed using helicopter assisted wireline core drilling (Attachment 1, General Location Map). Five holes are proposed under an exploration plan on Ark Land's Federal Coal Lease UTU-67939. Additionally, five holes are planned north of this lease, on the Granger Ridge Exploration License Area, under an exploration license. Exploration holes will be drilled for geologic structure, stratigraphic correlation, coal quality, and thickness assessment. None of the holes will be completed as water monitoring wells.

Drilling on lease UTU-67939 will occur approximately 3 miles west of Scofield, Utah in Sections 34 and 35, T12S, R6E and Section 2, T13S, R6E, SLM. The area is within the Winter Quarters Canyon and Woods Canyon drainages. A staging area will be set up at the eastern terminus of Forest Road 53137.

The Granger Ridge Exploration License Area is approximately 3 miles northwest of Scofield, Utah. The requested license encompasses approximately 3804 acres. Drilling will occur in Sections 13, 23, 24, 25, and 26, T12S, R6E, SLM. The area is bounded by Granger Ridge on the south and Fish Creek on the north. These 5 holes are within the Fish Creek Semi-Primitive Recreation Area and the Price River Inventoried Roadless Area (IRA). A staging area will be set up at the northern terminus of Forest Road 50221.

Each hole will be drilled with heli-portable equipment, including a skid-mounted core drilling rig,

drill rod trays, mud tanks, water tanks, water pump, and associated equipment. Disturbance of topsoil will be limited to minor hand excavation for leveling and drill placement. Mud pit excavation is not authorized; drilling fluids will be contained in heli-portable poly tanks and/or aluminum troughs. Frac tanks will be located at the staging areas for supplying water to all but one of the drill sites (the northernmost site, drill hole J) through plastic pipes. The northernmost drill site will be supplied with water from Fish Creek. All necessary arrangements for water withdrawal will be made with water shareholders and the Utah Division of Water Rights. Road construction or reconstruction is not authorized for this project and will not be performed. Each hole will be continuously cored to total depth. Surface casing will be set in each hole to prevent caving and to prohibit drilling fluids from entering soils and near surface formations. There will be less than 5 acres of surface disturbance on this project.

II. DECISION

I have decided to consent to the Bureau of Land Management's (BLM) approval of the Coal Exploration Plan and Coal Exploration License subject to conditions for the protection of non-mineral interests (Attachment 2, Stipulations).

It is my determination that this decision may be categorically excluded from preparation of an Environmental Assessment (EA) or Environmental Impact Statement (EIS) under Forest Service (FS) Handbook 1909.15, Chapter 30, Section 31.2(3): "Approval, modification, or continuation of minor special uses of National Forest System lands that require less than five contiguous acres of land." This category was determined appropriate because the area affected by this decision is less than 5 acres, there are no extraordinary circumstances related to the project, and surface uses would remain the same.

The proposals, with Forest Service stipulations, will provide adequate protection of Forest resources. The proposals are consistent with all Forest Plan requirements. The Forest Plan anticipated the exploration for and development of coal resources and provides programmatic direction and stipulations for the coal program.

My decisions will be implemented via transmittal of this Decision Memo to the BLM with authorization letters and issuance of the Special-Use Permit to Ark Land Company.

III. DECISION RATIONALE

The BLM is responsible for administration of Federal coal under the Mineral Leasing Act of 1920, as amended, and Federal Regulations in 43 CFR 3410. The BLM State Director must decide whether or not to approve the Coal Exploration Plan and the Coal Exploration License. Prior to approval of the plan and the license, the BLM must receive FS consent along with conditions for protection of non-coal resources as required by the Federal Coal Lease Amendments Act of 1975 that amended the Mineral Leasing Act.

This decision was made after careful consideration of the proposal, public involvement, and the

entirety of the supporting record. No one fact or single piece of information led to the decisions. Rather, a combination of factors contributed to it. The key considerations are discussed in the following sub-parts.

Attainment of Agency Goals:

The general purpose and need for this project is to accomplish the following goal of the Forest Plan: "Provide appropriate opportunities for and manage activities related to locating, leasing, development, and production of mineral and energy resources." (Forest Plan, p. III-4). Another related goal of the Forest Plan is: "Manage geologic resources, common variety minerals, ground water, and underground spaces (surficial deposits, bedrocks, structures, and processes) to meet resource needs and minimize adverse effects."

The project-specific purpose and need of the proposed action is to permit Ark Land Company to acquire data on the available coal resources on the Federal Coal Lease and on the Exploration License Area to provide access to the Federal mineral estate on National Forest System lands with outstanding rights, while protecting non-mineral resources of the National Forest consistent with Forest Service policy and Forest Plan direction.

The decision wholly meets the project's purpose and need.

Absence of Extraordinary Circumstances:

Existing resource conditions and potential extraordinary circumstances have been considered in making the decisions.

Threatened, endangered, and sensitive species or their critical habitat. Under this project, effects to any Threatened and Endangered Species will be non-existent or negligible (Biological Assessment, Project File). A goshawk survey was conducted in late June 2005 to determine if there were any active nests within ½ mile of the proposed drill holes. One active nest was identified in Woods Canyon (Biological Evaluation, Project File); however, none of the drill sites were within the buffer zone around the nest. About ¼ mile of plastic water pipe might be laid along the extreme southern edge of the buffer zone. The pipe will be laid down manually with the aid of horses. This will not affect the goshawk nest.

Floodplains, wetlands, or municipal watersheds. The project will not affect floodplains, wetlands, or municipal watersheds. The project will not disturb areas adjacent to perennial waters or wetlands. Sediment and spill control measures will be effective in mitigating effects. The effects will be negligible.

Congressionally designated areas, such as wilderness, wilderness study areas, or National Recreation Areas. There are no wilderness or wilderness study areas in the project area. The Fish Creek National Recreation Trail borders the northern edge of the Exploration License Area. Drill hole J, the closest to Fish Creek, is approximately 1000 feet from the stream. A water pump will be placed near the stream bank to withdraw water from Fish Creek for approximately 8 days while hole J is being drilled. Additionally, a water supply line will be buried beneath the national recreation trail

for the same period of time. An operator will be present with the pump during working hours. The low impact and short term nature of the water withdrawal will have negligible effects.

Inventoried Roadless Areas. The five holes on the Granger Ridge Exploration License area are within the Price River Inventoried Roadless Area (IRA). Roadless concerns have been reviewed in the Wilderness Attributes and Roadless Characteristics (Project File). None of the holes on Federal Coal Lease UTU-67939 are within an IRA. Road construction is not authorized for any part of this project. A frac tank to hold water and approximately 3.6 miles of plastic water pipe will be laid on the ground surface to transport water to the drill sites within the Price River IRA. Coils of pipe will be lowered into position by helicopter and then rolled out by hand and by the use of horses. Only a portion of the 3.6 miles of pipe will be on the ground at any one time; only enough pipe will be on the ground to supply water to one or two drill sites at a time. As a drill hole is completed and the drill moves on to another site, the pipe will be moved to the other site. The low impact and short term aspect of the pipe placement will have negligible effects.

Research Natural Areas. The project area is not located within or near any Research Natural Areas (RNAs). The Mount Lewis Botanical Area is located approximately 15 miles south of the project area.

Native American religious or cultural sites, archeological sites, or historic properties or areas. Surveys have been completed and professional archaeological staff have determined that the project does not have the potential to affect historic properties. Consultation with Native American groups has disclosed no religious or cultural sites.

Relationship to Public Involvement. Public comments were sought and considered throughout the planning process for this project. One response was received in the form of a letter from the Utah Environmental Congress (UEC). The UEC expressed their belief that the scope of the project excludes it from a categorical exclusion and that an EA is required. A copy of UEC's comment letter and Forest Service responses are included in the project file.

IV. PUBLIC INVOLVEMENT

Legal notices describing the proposal and requesting comments were published in the Sun Advocate (Price, Utah) and the Emery County Progress (Castle Dale, Utah) on April 19, 2005. Letters describing the proposal and requesting comments were mailed to 31 interested parties on April 19, 2005. One response (from UEC) was received (Project File) and is described in the Decision Rationale section above. Native American consultation was conducted and no specific issues were identified.

V. FINDINGS REQUIRED BY OTHER LAWS AND REGULATIONS

To the best of my knowledge, the decision complies with all applicable laws and regulations. In the following, the association of the decision to some pertinent legal requirements are summarized.

National Forest Management Act of 1976: The Forest Plan was approved November 5, 1986, as required by this Act. This long-range land and resource management plan provides guidance for all resource management activities in the Forest. The National Forest Management Act requires all projects and activities to be consistent with the Forest Plan. The Forest Plan has been reviewed in consideration of this project (pp. III 55-57, pp. III 64-66, and pp. III 67-68). The decision is consistent with the Forest Plan.

National Historic Preservation Act: The proposal would not result in any impacts to cultural or historic resources. The area was surveyed for potential historic, archaeological, and paleontological resources. None were found and the potential effects have been determined to be negligible. The negative report was sent to the Utah State Historic Preservation Office (SHPO) for review and concurrence. However, no comment was received from SHPO within the legally mandated 30-day comment period, thus indicating no concern from their office regarding the project. Should any unanticipated cultural or paleontological resources be encountered during the implementation of this project, all work would stop until assessment of the finding could be made. No Native American religious concerns have been identified.

Endangered Species Act: The Biological Assessment/Biological Evaluation (Project File) has disclosed that this project will not result in impacts to threatened, endangered, or sensitive plant or animal species. Therefore, there is no need to further evaluate threatened, endangered, or sensitive plant or animal species.

The project will not disturb areas adjacent to perennial waters or wetlands. Sediment and spill control measures will be effective in mitigating effects. The effects to macroinvertebrates will be negligible.

National Environmental Policy Act: The entirety of documentation for this project supports that the project analysis complies with this Act.

Environmental Justice: Based on experience with similar projects on the Ferron-Price Ranger District, it is believed that this project will not have any disparate impacts on individual groups of peoples or communities. Implementation of this project will produce no adverse effects on minorities, low-income individuals, Native Americans or women. No civil liberties will be affected.

VI. IMPLEMENTATION DATE AND APPEAL OPPORTUNITY

Implementation of these decisions may occur upon approval of the Coal Exploration Plan and the Coal Exploration License by the BLM (Federal Leases) and issuance of the Road-Use Permit.

This decision is not subject to appeal by the public in accordance with the Code of Federal Regulations Title 36 part 215.12(f). This decision is subject to appeal by the applicant under Code of Federal Regulations Title 36 part 251.

VII. CONTACT PERSON

For additional information concerning the Forest Service decision, please contact Karl Boyer or Dale Harber at the USDA Forest Service, Manti-La Sal National Forest (address: 599 West Price River Drive, Price, UT 84501; telephone: 435-637-2817).

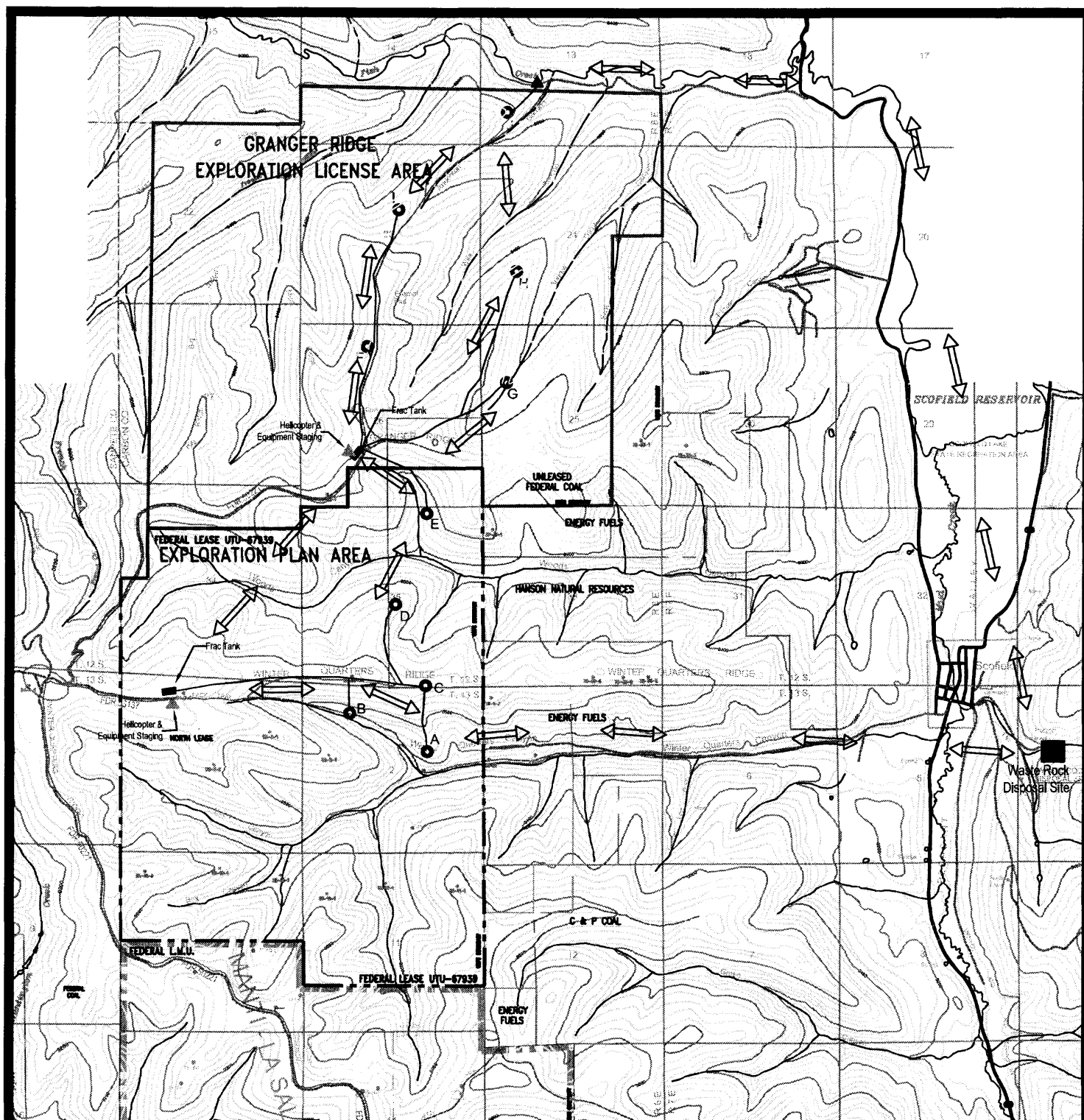
VIII. SIGNATURE AND DATE

Alice B. Carlton

Alice B. Carlton
Forest Supervisor
Manti-La Sal National Forest

8/5/05

Date



- A** ● Proposed Helicopter Drill Site
 ▲ Helicopter and Equipment Staging Area
 ■ Proposed Water Tank Location, 10,000-20,000 gal Frac Tank
 — 2 to 4 in. Waterline (hdpe)
 ▲ Water Pump Location
 — Proposed Forest Road Use
 ⇄ Helicopter Flight Route

MAP 1

ARK LAND COMPANY
 300 LANE 1000, BOX 300, HELPER, UT. 84038
PROPOSED EXPLORATION PLAN
LEASE UTU-67939
AND EXPLORATION LICENSE
GRANGER RIDGE AREA
 2005
 (Revised 6/17/05)

SCALE 1" = 4000'
 FILE NO.
 SHEET NO.

ATTACHMENT 2

FOREST SERVICE STIPULATIONS

SKYLINE MINE 2005 COAL EXPLORATION DRILLING PROJECT

Stipulations to be included in the Coal Drilling Permit/License

1. A pre-work meeting including the responsible company representative(s), contractors, and the Forest Service must be conducted at the project location prior to commencement of operations. Site-specific Forest Service requirements will be discussed at this time.
2. A Road Use Permit must be obtained from the Forest Service before equipment is transported onto National Forest System lands. No construction may begin prior to approval. Any modifications or changes to approved locations and conditions are also subject to review and approval.
3. All surface disturbing activities including reclamation must be supervised by a responsible representative of the permittee/licensee who is aware of the terms and conditions of the projects permits/licenses. A copy of the appropriate permits/licenses must be available for review at the project site and presented upon demand to any Forest Service official.
4. The Forest must be notified 48 hours in advance that heavy equipment will be moved onto National Forest System lands and that surface disturbing activities will commence.
5. Establishment of campsites and staging areas on National Forest System lands in support of this project is subject to Forest Service approval.
6. The Forest Service must be notified of any proposed alterations to the plan of operations. Any changes to the existing plan are subject to Forest Service review and approval.
7. Fire suppression equipment must be available to all personnel working at the project site. Equipment must include at least one hand tool per crew member consisting of shovels and pulaskis and one properly rated fire extinguisher per vehicle and/or internal combustion engine.
8. All gasoline, diesel, and steam-powered equipment must be equipped with effective spark arrestors or mufflers. Spark arresters must meet Forest Service specifications discussed in the "General Purpose and Locomotive (GP/L) Spark Arrester Guide, Volume 1, April, 1988"; and "Multi-position Small Engine (MSE) Spark Arrester Guide, April, 1989". In addition, all electrical equipment must be properly insulated to prevent sparks.
9. The permittee/licensee will be held responsible for damage and suppression costs for fires started as a result of operations. Fires must be reported to the Forest Service as soon as possible.
10. The Forest Service reserves the right to suspend operations during periods of high fire potential.
11. Water needed in support of operations must be properly and legally obtained according to Utah State water laws. The location of diversions, if on National Forest System lands, are subject to Forest Service review and approval. Water diversion structures, if needed, must be constructed as specified by the Forest Service.

12. Unauthorized off-road motorized travel, other than along the approved access routes, is prohibited.
13. Section corners or other survey markers, including claim corners, in the project area must be located and flagged for preservation prior to commencement of surface disturbing activities. The removal, displacement, or disturbance of markers must be approved by the proper authority. Replacement will be done by the proper authority at the expense of the permittee/licensee.
14. If cultural or paleontological resources are discovered during operations, all operations which may result in disturbance to the resources must cease and the Forest Service must be notified of the discovery.
15. Gates must be closed after entry unless otherwise specified.
16. The permittee/licensee will be held responsible for all damage to fences, cattleguards, resource improvements, roads, and other structures on National Forest System lands which result from their operations. The Forest Service must be notified of damages as soon as possible.
17. Operations must be coordinated with grazing permittees to prevent conflicts.
18. Harrassment of wildlife and livestock is prohibited.
19. Topsoil (soil "A" horizon) must be stripped from excavated areas and stockpiled for use during reclamation. Topsoil stockpiles will be located to minimize contamination or loss. Subsoil and rock material will be stockpiled seperately.
20. All drilling fluids, mud and cuttings must be contained on the project site in portable containers until removal and disposal at an authorized site.
21. During drilling operations all trash, garbage and other refuse must be properly contained on the project site prior to disposal at authorized sites.
22. All significant water encountered during drilling must be reported to the Forest Service, including the depth and formation at which it was encountered, and an estimate of the flow.
23. If any of the drill holes encounter artesian groundwater flow, the District Ranger must be notified prior to plugging the hole to determine whether or not the Forest Service would elect to establish a permanent water development at the site.
24. All drill holes must be plugged in accordance with Federal and State regulations.
25. The permittee/licensee must clean up and remove all drilling equipment, trash, garbage, flagging, vehicles and other such materials from National Forest System lands.
26. Disturbed areas must be reclaimed by the end of the 2005 field season. Exceptions require Forest Service approval.
27. Drill rigs and heavy equipment (not including water trucks) must not be transported in or out of the project area during the opening of the general elk hunt nor during the opening weekend of

the general deer hunt and during holiday weekends. Water trucks must be preceded by a pilot vehicle when hauling water for the project during the above noted periods.

28. Contaminated soil and gravel must be stripped and hauled off Forest prior to site reclamation.
29. Drill sites must be reclaimed by selectively backfilling excavated materials, topsoil last, such that the disturbed area is replaced to its approximate original contour. The disturbed area must be seeded with the specified seed mix.
30. Upon completion of the project, compacted soils (staging areas, camping areas) must be scarified and seeded with the specified seed mix.
31. All disturbed drainages must be replaced to their approximate original configuration when the project area is reclaimed.
32. Reclamation efforts will be diligently pursued to insure that a minimum ground cover is established on all disturbed areas which is equal to or greater than the surrounding undisturbed areas. Revegetation will be considered successful when 90% of the predisturbance ground cover is re-established over the entire disturbed area, with no noxious weeds. Adjacent undisturbed areas will be used as a basis for comparison of ground cover. Of the vegetative ground cover, at least 90% must consist of seeded or other desirable species. The 90% of pre-disturbance ground cover must be maintained for three years.
33. The seed mix to be used for reclamation will be as follows:

		<u>Pounds PLS/acre</u>
Western Wheatgrass	Elymus smithii	2
Basin Wild Rye	Elymus cinereus	1
Intermediate Wheatgrass	Elymus hispidus	2
"Paiute" Orchardgrass	Dactylis glomeratus	2
Slender Wheatgrass	Elymus trachycaulum	2
Mountain Brome	Bromus carinatus	2
Perennial Ryegrass	Lolium perenne	1
Yellow Sweet Clover	Melilotus officinalis	1
"Rambler" Alfalfa	Medicago sativa	1
Lewis Flax	Linum lewisii	0.50
Small Burnet	Sanguisorbia minor	1

This seed mix must be 99% pure live seed containing a maximum of 1% weeds, none of which are noxious.

34. The permittee/licensee shall take all reasonable and appropriate measures to prevent the introduction and proliferation of exotic plants and/or noxious weeds for all operations on the land surface. Heavy equipment, drilling equipment, transport vehicles, and the helicopter must be cleaned of mud and debris that could potentially transport noxious weed seeds prior to entering the National Forest. The permittee/licensee will be held responsible for control and eradication of exotic species and noxious weed infestations found to be a result of this project, until acceptance by the Forest Service of vegetative restoration.
35. The permittee/licensee will pay the marketable value for any timber cut down during the project.

36. Outside berms will not be constructed on any roads.
37. Stipulation for Lands of the National Forest System Under Jurisdiction of the Department of Agriculture.

The licensee/permittee/lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of the Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of the Interior, and (3) use and occupancy of the NFS not authorized by a permit/operating plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to:

Forest Supervisor
Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501

Telephone No. (801) 637-2817

who is the authorized representative of the Secretary of Agriculture.

38. Road construction is not authorized on this project. The drill sites will be accessed only by foot, horse or helicopter.
39. The water pipe placed in Fish Creek will have a screen placed around the intake to prevent fish from being drawn into it.
40. The water line crossing the Fish Creek National Recreation Trail, that supplies water to drill hole J, will be buried.
41. The helicopter is restricted to flying within the designated flight lines as shown on Attachment 1, General Location Map (project map). Any deviation from the flight lines shown on the project map must be requested by the operator and approved in advance by the Forest Service.

Stipulations to be Included in the Road Use Permit

42. Roads must not be used when they are wet and susceptible to damage.
43. The permittee is responsible for repair of any damages to roads which are caused by his operations.
44. All traffic must maintain safe speeds commensurate with existing conditions.
45. Roads must be watered if dust becomes a problem or if excessive loss of road material occurs.